

Patricia M. French
Senior Attorney



300 Friberg Parkway
Westborough, Massachusetts 01581
(508) 836-7394
(508) 836-7039 (facsimile)
pfrench@nsource.com

January 31, 2005

BY OVERNIGHT DELIVERY AND E-FILE

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, MA 02110

Re: Bay State Gas Company, D.T.E. 04-93

Dear Ms. Cottrell:

Enclosed for filing, on behalf of Bay State Gas Company ("Bay State"), please find an original and one (1) copy of the Bay State's Supplemental Responses to the following Department's First Set of Information Requests: DTE 1-2 and DTE 1-3. As indicated in the original responses to these requests, filed January 21, 2005, these responses are being supplemented with the 2004 financial information, which was not available at the time of the original response. This filing is being made pursuant to the Instructions filed with the Information Requests.

Please do not hesitate to telephone me with any questions whatsoever.

Very truly yours,

Patricia M. French

cc: Jody Stiefel, Esq., Hearing Officer (3 copies)
Andreas Thanos, Assistant Director, Gas Division, DTE
Dr. Alexander Kofitse,, DTE
Carmen Liron-Espana, DTE
Tim Cargill, DTE
Service List

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FIRST SET OF INFORMATION REQUESTS FROM THE D.T.E.
D.T.E. 04-93

Date: January 31, 2005

Witness Responsible: Joseph A. Ferro

DTE 1-2: Please refer to Attachment A of the Company's filing.

- (a) Calculate Bay State's return on equity (ROE) for the twelve months ended December 31, 2004.
- (b) Calculate the variance between the Company's allowed return on equity for the years 1995 to 2004 and the ROE realized by the Company during these years.
- (c) Calculate Bay State's average return on equity for the twelve months ended December 31, 2003 and the twelve months ended December 31, 2004.
- (d) Provide copies of the relevant pages of Bay State's Annual Return used in the calculation of the Company's 2003 and 2004 return on equity.

RESPONSE:

- (a) Financial information for the twelve months ended December 31, 2004 is not currently available. It will be provided as soon as it is available.
- (b) Bay State's last allowed rate of return was established in its general rate case in Docket D.P.U. 92-111. The level granted by the Department was 11.4%. Please see Attachment DTE 1-2-(b) 2003 for the revised calculation of the variance between the allowed ROE of 11.4% and the level realized during the period 1995 through 2003. Financial information for the twelve months ended December 31, 2004 is not currently available. This attachment will be updated as soon as the 2004 data is available.
- (c) Financial information for the twelve months ended December 31, 2004 is not currently available. The requested calculation will be provided as soon as it is available.
- (d) Please see Attachment DTE 1-2-(d) 2003 (A), (B) and (C), which are copies of Bay State's 2003 Annual Return, pages 8, 9 and 10, respectively. Financial information for the twelve months ended December 31, 2004 is not currently available. The requested information will be provided as soon as it is available.

**SUPPLEMENTAL
RESPONSE:**

- (a) See Attachment DTE 1-2(a) for the requested calculation. Please note, the amounts included in Column 3 are the Company's per book amounts for 2004. The adjustment in Column 4 eliminates the LBR requested in DTE 04-57 and booked in October 2004. Column 5 adds the LBR requested in this proceeding, and Column 6 eliminates the impact of colder than normal weather experience during 2004. The adjusted ROE for 2004 is 9.3%.
- (b) Bay State's last allowed rate of return was established in its general rate case in Docket D.P.U. 92-111. The level granted by the Department was 11.4%. Please see Attachment DTE 1-2-(b) 2004 for the revised calculation of the variance between the allowed ROE of 11.4% and the level realized during the period 1995 through 2004.
- (c) The returns on equity (ROE) for 2003 and 2004 as included in Attachments DTE 1-2(b) 2003 and DTE 1-2(b) 2004, respectively, are calculated on average equity consistent with the Department's standards set forth in its letter dated April 3, 2003. However, if this request is seeking an average of the per-book returns on equity for the two years, 2003 and 2004, the percentage is 11.19%, which is the average of 11.84% and 10.54%, the returns on equity for 2003 and 2004, respectively. If this request is seeking an average of the normalized calculated returns on equity, reflecting the \$2,437,286 LBR requested in this proceeding, for the two years, 2003 and 2004, of 10.19% (see Attachment A, page 1 of 2, of the Company's filing) and 9.30% (see Attachment DTE 1-2(a)), the percentage is 9.75%.
- (d) Please see Attachment DTE 1-2(d) 2004 (A), (B) and (C) which are copies of Bay State's 2004 Annual Return, pages 8, 9 and 10, respectively.

Bay State Gas Company
Return on Equity
For the Twelve Months Ended December 31, 2004

Ln. No.	Item (1)	Detail (2)	Per Books (3)	Elimination of LBR @ DTE 04-57IR Booked 10/31/2004 (4)	Requested LBR (5)	Weather Adjustment (6)	Adjusted Totals (7)
1	Net Utility Income Available for Common Shareholders						
2	Total Utility Operating Income - Annual Return - Pg. 10, Ln 18		\$ 27,185,780	\$ (2,169,462)	\$ 2,437,286	\$ (5,089,000)	\$ 22,364,604
3	Plus:						
4	Amortization of Acquisition Premium	\$ 11,027,252					
5	Service Quality Penalties	-					
6	Total	\$ 11,027,252					
7	Other Taxes	\$ -					
8	Income Taxes	\$ 4,325,440		\$ 850,971	\$ (956,025)	\$ 1,996,160	
9	Net Additions to Utility Operating Income (Lns. 6 & 7 - Ln. 8)		\$ 6,701,812	\$ 850,971	\$ (956,025)	\$ 1,996,160	\$ 8,592,918
10	Less:						
11	Total Interest Charges - Annual Return - Pg. 10, Ln. 39	\$ 9,533,226					
12	Dividends Declared - Preferred Stock	-					
13	Total	\$ 9,533,226					
14	Utility Ratio (See Ln. 35 below)	91.46%					
15	Utility Interest Charges (Ln. 13 * Ln. 14)	\$ 8,719,088					
16	Income taxes on difference (Ln. 13 - Ln. 15) * 39.225%	\$ 319,346					
17	Net Utility Interest Charges (Ln. 15 + Ln. 16)		\$ 9,038,434	\$ -	\$ -	\$ -	\$ 9,038,434
18	Net Utility Income (Ln. 2 + Ln. 9 - Ln. 17)		\$ 24,849,158	\$ (1,318,491)	\$ 1,481,261	\$ (3,092,840)	\$ 21,919,088
19	Total Utility Common Equity						
20	Total Proprietary Capital - Annual Return - Pg. 9, Ln. 13						
21	Balance Beginning of Year - Column (b)		\$ 529,215,174				\$ 529,215,174
22	Balance End of Year - Column (c)		\$ 553,812,166				\$ 553,812,166
23	Average (Ln. 21 + Ln 22)/2		\$ 541,513,670				\$ 541,513,670
24	Less:						
25	Average Preferred stock - Annual Return - Pg. 9, Ln. 4		-				-
26	Average Unamortized Acquisition Premium net of deferred income taxes		\$ 283,704,766				\$ 283,704,766
27	Total Average Common Equity (Ln. 23 - Lns. 25 & 26)		\$ 257,808,904				\$ 257,808,904
28	Utility Ratio (See Ln. 35 below)		91.46%				91.46%
29	Total Average Utility Common Equity (Ln. 27 * Ln. 28)		\$ 235,792,024				\$ 235,792,024
30	Return on Equity (Ln. 18/Ln. 29)		10.54%				9.30%
31	Utility Ratio:						
		Total	Less Acquisition Premium	Net			
32	Utility Plant - Annual Return - Pg. 8, Ln. 2	\$ 1,212,056,778	\$ (442,163,257)	\$ 769,893,521			
33	Total Other Property & Investment - Annual Return - Pg 8, Ln. 8	\$ 118,080,574	\$ (46,190,274)	\$ 71,890,300			
34	Total	\$ 1,305,331,247		\$ 841,783,821			
35	Utility Ratio (Ln. 31/ Ln. 33)			91.46%			

Notes:

In compliance with the Department of Telecommunications & Energy's letter dated April 3, 2003.

BAY STATE GAS COMPANY

<u>Line No.</u>		<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2,003</u>
1	<u>NET UTILITY INCOME AVAILABLE FOR COMMON SHAREHOLDERS</u>									
2	Total Utility Operating Income - Annual Return - Pg. 10, Ln. 18	34,062,981	33,116,469	26,240,664	12,357,291	28,575,620	32,193,853	28,244,455	23,054,441	30,560,368
3	Plus: Amortization of Acquisition Premium	0	0	0	0	10,140,000	11,160,000	11,030,299	11,120,955	11,126,708
4	Plus: Service Quality Penalties				156,250	312,500	1,142,000	250,000	0	0
5	Total adjustments (Ln. 3+4)	0	0	0	156,250	10,452,500	12,302,000	11,280,299	11,120,955	11,126,708
6	Other Taxes									(2,000,000)
7	Income taxes on adjustments	0	0	0	61,289	4,099,993	4,825,460	4,424,697	4,362,195	4,338,451
8	Net Additional to Utility Operating Income (Ln. 5+6-7)	0	0	0	94,961	6,352,507	7,476,540	6,855,602	6,758,760	4,788,257
9	Less: Total Interest Charges - Annual Return - Pg. 10, Ln. 39	14,157,523	13,116,686	14,213,383	15,081,324	18,232,642	19,646,734	15,867,385	14,443,886	10,512,608
10	Less: Dividends Declared - Preferred Stock - Annual Report - Pg 10, Ln 48	298,369	288,587	285,369	47,129	0	0	0	0	0
11	Total	14,455,892	13,405,273	14,498,752	15,128,453	18,232,642	19,646,734	15,867,385	14,443,886	10,512,608
12	Utility Ratio	89.38%	88.94%	86.84%	88.11%	92.14%	92.14%	91.65%	91.98%	91.72%
13	Utility Interest Charges (Ln. 11 * Ln. 12)	12,920,968	11,923,316	12,590,220	13,329,107	16,798,987	18,103,175	14,542,773	13,285,790	9,642,164
14	Income taxes on difference (Ln. 11 - Ln. 13) * 39.225%	602,074	581,298	748,622	705,793	562,351	605,461	519,579	454,263	341,432
15	Net Utility Interest Charges (Ln. 13 + Ln. 14)	13,523,042	12,504,614	13,338,842	14,034,900	17,361,338	18,708,636	15,062,352	13,740,053	9,983,596
16	Net Utility Income (Ln. 2 + Ln. 7 - Ln. 14)	20,539,939	20,611,855	12,901,822	(1,582,648)	17,566,789	20,961,757	20,037,705	16,073,148	25,365,029
17	<u>TOTAL UTILITY COMMON EQUITY</u>									
18	Total Proprietary Capital - Annual Return - Pg. 9, Ln. 13									
19	Balance Beginning of Year - Column B	232,805,333	240,135,682	246,801,828	251,459,757	226,606,203	529,437,337	531,868,320	534,380,713	520,651,696
20	Balance End of Year - Column C	240,135,682	246,801,828	251,459,757	226,606,203	529,437,337	531,868,320	534,380,713	520,651,696	529,215,174
21	Average (Ln. 19 + Ln. 20)/2	236,470,508	243,468,755	249,130,793	239,032,980	378,021,770	530,652,829	533,124,517	527,516,205	524,933,435
22	Less: Average Preferred stock - Annual Return - Pg. 9, Ln. 4	5,218,400	5,077,075	4,963,200	2,458,175	0	0	0	0	0
23	Less: Average Unamortized Acquisition Premium net of deferred income taxes	0	0	0	0	157,558,788	311,049,575	304,310,878	301,333,146	291,311,230
24	Total Average Common Equity (Ln. 21 - Ln. 22 - Ln. 23)	231,252,108	238,391,680	244,167,593	236,574,805	220,462,983	219,603,254	228,813,639	226,183,059	233,622,205
25	Utility Ratio	89.38%	88.94%	86.84%	88.11%	92.14%	92.14%	91.65%	91.98%	91.72%
26	Total Average Utility Common Equity (Ln. 24 * Ln. 25)	206,697,799	212,037,403	212,026,781	208,437,097	203,127,703	202,349,972	209,712,236	208,047,927	214,278,286
27	Return on Equity (Ln. 16/Ln. 26)	9.94%	9.72%	6.08%	-0.76%	8.65%	10.36%	9.55%	7.73%	11.84%
28	Allowed Rate of Return from DPU 92-111	11.40%	11.40%	11.40%	11.40%	11.40%	11.40%	11.40%	11.40%	11.40%
29	Variance	-1.46%	-1.68%	-5.32%	-12.16%	-2.75%	-1.04%	-1.85%	-3.67%	0.44%

BAY STATE GAS COMPANY

<u>Line No.</u>		<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
1	<u>NET UTILITY INCOME AVAILABLE FOR COMMON SHAREHOLDERS</u>										
2	Total Utility Operating Income - Annual Return - Pg. 10, Ln. 18	34,062,981	33,116,469	26,240,664	12,357,291	28,575,620	32,193,853	28,244,455	23,054,441	30,560,368	27,185,780
3	Plus: Amortization of Acquisition Premium	0	0	0	0	10,140,000	11,160,000	11,030,299	11,120,955	11,126,708	11,027,252
4	Plus: Service Quality Penalties				156,250	312,500	1,142,000	250,000	0	0	0
5	Total adjustments (Ln. 3+4)	0	0	0	156,250	10,452,500	12,302,000	11,280,299	11,120,955	11,126,708	11,027,252
6	Other Taxes									(2,000,000)	0
7	Income taxes on adjustments	0	0	0	61,289	4,099,993	4,825,460	4,424,697	4,362,195	4,338,451	4,325,440
8	Net Additional to Utility Operating Income (Ln. 5+6-7)	0	0	0	94,961	6,352,507	7,476,540	6,855,602	6,758,760	4,788,257	6,701,812
9	Less: Total Interest Charges - Annual Return - Pg. 10, Ln. 39	14,157,523	13,116,686	14,213,383	15,081,324	18,232,642	19,646,734	15,867,385	14,443,886	10,512,608	9,533,226
10	Less: Dividends Declared - Preferred Stock - Annual Report - Pg 10, Ln 48	298,369	288,587	285,369	47,129	0	0	0	0	0	0
11	Total	14,455,892	13,405,273	14,498,752	15,128,453	18,232,642	19,646,734	15,867,385	14,443,886	10,512,608	9,533,226
12	Utility Ratio	89.38%	88.94%	86.84%	88.11%	92.14%	92.14%	91.65%	91.98%	91.72%	91.46%
13	Utility Interest Charges (Ln. 11 * Ln. 12)	12,920,968	11,923,316	12,590,220	13,329,107	16,798,987	18,103,175	14,542,773	13,285,790	9,642,164	8,719,088
14	Income taxes on difference (Ln. 11 - Ln. 13) * 39.225%	602,074	581,298	748,622	705,793	562,351	605,461	519,579	454,263	341,432	319,346
15	Net Utility Interest Charges (Ln. 13 + Ln. 14)	13,523,042	12,504,614	13,338,842	14,034,900	17,361,338	18,708,636	15,062,352	13,740,053	9,983,596	9,038,434
16	Net Utility Income (Ln. 2 + Ln. 7 - Ln. 14)	20,539,939	20,611,855	12,901,822	(1,582,648)	17,566,789	20,961,757	20,037,705	16,073,148	25,365,029	24,849,158
17	<u>TOTAL UTILITY COMMON EQUITY</u>										
18	Total Proprietary Capital - Annual Return - Pg. 9, Ln. 13										
19	Balance Beginning of Year - Column B	232,805,333	240,135,682	246,801,828	251,459,757	226,606,203	529,437,337	531,868,320	534,380,713	520,651,696	529,215,174
20	Balance End of Year - Column C	240,135,682	246,801,828	251,459,757	226,606,203	529,437,337	531,868,320	534,380,713	520,651,696	529,215,174	553,812,166
21	Average (Ln. 19 + Ln. 20)/2	236,470,508	243,468,755	249,130,793	239,032,980	378,021,770	530,652,829	533,124,517	527,516,205	524,933,435	541,513,670
22	Less: Average Preferred stock - Annual Return - Pg. 9, Ln. 4	5,218,400	5,077,075	4,963,200	2,458,175	0	0	0	0	0	0
23	Less: Average Unamortized Acquisition Premium net of deferred income taxes	0	0	0	0	157,558,788	311,049,575	304,310,878	301,333,146	291,311,230	283,704,766
24	Total Average Common Equity (Ln. 21 - Ln. 22 - Ln. 23)	231,252,108	238,391,680	244,167,593	236,574,805	220,462,983	219,603,254	228,813,639	226,183,059	233,622,205	257,808,904
25	Utility Ratio	89.38%	88.94%	86.84%	88.11%	92.14%	92.14%	91.65%	91.98%	91.72%	91.46%
26	Total Average Utility Common Equity (Ln. 24 * Ln. 25)	206,697,799	212,037,403	212,026,781	208,437,097	203,127,703	202,349,972	209,712,236	208,047,927	214,278,286	235,792,024
27	Return on Equity (Ln. 16/Ln. 26)	9.94%	9.72%	6.08%	-0.76%	8.65%	10.36%	9.55%	7.73%	11.84%	10.54%
28	Allowed Rate of Return from DPU 92-111	11.40%	11.40%	11.40%	11.40%	11.40%	11.40%	11.40%	11.40%	11.40%	11.40%
29	Variance	-1.46%	-1.68%	-5.32%	-12.16%	-2.75%	-1.04%	-1.85%	-3.67%	0.44%	-0.86%

Annual report of.....BAY STATE GAS COMPANY.....Year ended December 31,2003

COMPARATIVE BALANCE SHEET Assets and Other Debits				
Line No.	Title of Account (a)	Balance Beginning of Year (b)	Balance End of Year (c)	Increase or (Decrease) (d)
1	UTILITY PLANT			
2	Utility Plant (101-107) P.13	1,162,483,806	1,190,252,064	27,768,258
3	OTHER PROPERTY AND INVESTMENTS			
4	Nonutility Property (121) P.19.....	75,096	75,096	0
5	Investment in Associated Companies (123) P.20.....	110,850,333	114,972,087	4,121,754
6	Other Investments (124) P.20.....	32,330	32,000	(330)
7	Special Funds (125,126,127,128) P.21.....			
8	Total Other Property and Investments.....	110,957,759	115,079,183	4,121,424
9	CURRENT AND ACCRUED ASSETS			
10	Cash (131).....	433,948	1,516,754	1,082,806
11	Special Deposits (132,133,134) P.21.....			
12	Working Funds (135).....	13,730	5,730	(8,000)
13	Temporary Cash Investments (136) P.20.....			
14	Notes and Accounts Receivable (141,142,143) P.22.....	49,905,411	58,599,853	8,694,442
15	Receivables from Assoc. Companies (145,146) P.23.....	1,140,028	1,091,765	(48,263)
16	Materials and Supplies (151-159,163) P.24.....	23,114,314	36,146,787	13,032,473
17	Prepayments (165).....	1,772,512	3,375,037	1,602,525
18	Interest and Dividends Receivable (171).....	20,606	42,057	21,451
19	Rents Receivable (172).....			
20	Accrued Utility Revenues (173).....	47,998,972	34,340,353	(13,658,619)
21	Def. Fuel Costs (175).....	19,584,310	43,329,675	23,745,365
22	Total Current and Accrued Assets.....	143,983,831	178,448,011	34,464,180
23	DEFERRED DEBITS			
24	Unamortized Debt Discount and Expense (181) P.26.....	8,222,665	7,630,615	(592,050)
25	Extraordinary Property Losses (182) P.27.....			
26	Preliminary Survey and Investigation Charges (183).....	0	0	0
27	Clearing Accounts (184).....	0	1,753	1,753
28	Temporary Facilities (185).....	0	0	0
29	Miscellaneous Deferred Debits (186)...P.27.....	23,517,560	31,924,471	8,406,911
30	Total Deferred Debits.....	31,740,225	39,556,839	7,816,614
31	CAPITAL STOCK DISCOUNT AND EXPENSE			
32	Discount on Capital Stock (191) P.28.....			
33	Capital Stock Expense (192) P.28.....			0
34	Total Capital Stock Discount and Expense.....			0
35	REACQUIRED SECURITIES			
36	Reacquired Capital Stock (196).....			
37	Reacquired Bonds (197).....			
38	Total Reacquired Securities.....			
39	Total Assets and Other Debits.....	1,449,165,621	1,523,336,097	74,170,476

Annual report of.....BAY STATE GAS COMPANY.....Year ended December 31,2003

COMPARATIVE BALANCE SHEET Liabilities and Other Credits				
Line No.	Title of Account (a)	Balance Beginning of Year (b)	Balance End of Year (c)	Increase or (Decrease) (d)
1	PROPRIETARY CAPITAL			
2	CAPITAL STOCK			
3	Common Stock Issued (201) P.29.....	100	100	0
4	Preferred Stock Issued (204) P.29.....			
5	Capital Stock Subscribed (202,205).....			
6	Premium on Capital Stock (207) P.29.....	525,771,866	523,771,866	(2,000,000)
7	Total.....	525,771,966	523,771,966	(2,000,000)
8	SURPLUS			
9	Other Paid-In Capital (208-211) P. 30.....	392,833	870,173	477,340
10	Earned Surplus (215,216) P. 12.....	(5,513,104)	4,573,035	10,086,139
11	Surplus Invested In Plant (217).....			
12	Total.....	(5,120,271)	5,443,208	10,563,479
13	Total Proprietary Capital.....	520,651,695	529,215,174	8,563,479
14	LONG TERM DEBT			
15	Bonds (221) P.31.....			
16	Capital Lease Obligations			
17	Other Long-Term Debt (224) P.31.....	95,500,000	118,500,000	23,000,000
18	Total Long-Term Debt.....	95,500,000	118,500,000	23,000,000
19	CURRENT AND ACCRUED LIABILITIES			
20	Notes Payable (231) P.32.....	0	0	0
21	Accounts Payable (232).....	34,671,075	39,859,899	5,188,824
22	Payables to Associated Companies (233,234) P.32.....	224,050,112	198,272,070	(25,778,042)
23	Customer Deposits (235).....	2,980,692	3,193,497	212,805
24	Taxes Accrued (236).....	4,586,883	9,898,598	5,311,715
25	Interest Accrued (237).....	2,629,787	2,234,646	(395,141)
26	Dividends Declared (238).....			
27	Fuel Purchase Commitments.....	0	0	0
28	Capital Leases (240).....			
29	Tax Collections Payable (241).....	274,695	399,035	124,340
30	Misc. Current and Accrued Liabilities (242) P.33.....	4,681,962	3,920,913	(761,049)
31	Total Current and Accrued Liabilities.....	273,875,206	257,778,658	(16,096,548)
32	DEFERRED CREDITS			
33	Unamortized Premium on Debt (251) P.26.....			
34	Customer Advances for Construction (252)	402,412	401,895	(517)
35	Other Deferred Credits (253) P.33.....	8,390,683	10,212,439	1,821,756
36	Total Deferred Credits.....	8,793,095	10,614,334	1,821,239
37	RESERVES			
38	Reserves for Depreciation (254-256) P.13.....	232,134,239	256,651,826	24,517,587
39	Reserves for Amortization (257-259) P.13.....	58,803,723	75,323,063	16,519,340
40	Reserve for Uncollectible Accounts (260).....	3,408,590	6,411,000	3,002,410
41	Operating Reserves (261-265) P.35.....	10,883,951	11,303,230	419,279
42	Reserve for Depreciation and Amortization of Nonutility Property (266).....	1,079	1,079	0
43	Reserves for Deferred Federal Income Taxes (267,268) P.36.....	245,114,043	257,537,733	12,423,690
44	Total Reserves.....	550,345,625	607,227,931	56,882,306
45	CONTRIBUTIONS IN AID OF CONSTRUCTION			
46	Contributions in Aid of Construction (271) P. 36.....	0	0	0
47	Total Liabilities and Other Credits.....	1,449,165,621	1,523,336,097	74,170,476

Annual report of.....BAY STATE GAS COMPANY.....Year ended December 31, 2003

STATEMENT OF INCOME FOR THE YEAR			
Line No.	Account (a)	Current Year (b)	Increase or (Decrease) from Preceding Year (c)
1	OPERATING INCOME		
2	Operating Revenues (400) P.37,43.....	\$ 455,064,378	\$ 93,090,966
3	Operating Expenses:		
4	Operation Expense (401) P.42,47.....	356,773,945	78,249,259
5	Maintenance Expense (402) P.42,47.....	8,597,694	1,201,789
6	Depreciation Expense (403) P.34.....	23,064,765	702,268
7	Amortization of Utility Plant (404 and 405).....	15,129,271	(563,208)
8	Amortization of Property Losses (407.1).....		0
9	Amortization of Investment Tax Credit (407.2).....	(373,740)	0
10	Taxes Other Than Income Taxes (408) P.49.....	8,140,478	(1,536,969)
11	Income Taxes (409) P.49.....	(1,113,841)	3,510,959
12	Provision for Deferred Fed. Inc. Taxes (410) P.36.....	14,344,786	3,881,839
13	Fed. Inc. Taxes Def. in Prior Yrs.-Cr. (411) P. 36.....	(59,852)	138,857
14	Total Operating Expenses.....	424,503,506	85,584,794
15	Net Operating Revenues.....	30,560,872	7,506,172
16	Income from Utility Plant Leased to Others (412)-Net.....	(504)	(244)
17	Other Utility Operating Income (414) P.50.....		
18	Total Utility Operating Income.....	30,560,368	7,505,928
19	OTHER INCOME		
20	Income (Loss) from Mdse. Job & Contract Work (415) P. 51-After Taxes.....	357,671	112,698
21	Income from Nonutility Operations (417)-After Taxes.....	760,438	(353,340)
22	Nonoperating Rental Income (418).....	0	0
23	Interest and Dividend Income (419)-After Taxes.....	587,329	494,631
24	Misc Nonoperating Income (421)-After Taxes and Earnings of Subsidiaries.....	5,932,550	3,821,610
25	Total Other Income.....	7,637,988	4,075,599
26	Total Income.....	38,198,356	11,581,527
27	MISCELLANEOUS INCOME DEDUCTIONS		
28	Miscellaneous Amortization (425).....		
29	Other Income Deductions (426).....	(1,106,578)	(4,180,373)
30	Total Income Deductions.....	(1,106,578)	(4,180,373)
31	Income Before Interest Charges.....	39,304,934	15,761,900
32	INTEREST CHARGES		
33	Interest on Long-Term Debt (427) P.31.....	5,844,467	(3,701,376)
34	Amortization of Debt Disc. & Expense (428) P.26.....	537,936	20,701
35	Amortization of Prem. on Debt-Credit (429) P.26.....		
36	Int. on Debt to Associated Companies (430) P.31,32.....	5,560,901	1,936,977
37	Other Interest Expense (431).....	(1,430,696)	(2,187,580)
38	Interest Charged (Credited) to Construction-Credit (432).....	0	0
39	Total Interest Charges.....	10,512,608	(3,931,278)
40	Net Income.....	\$ 28,792,326	\$ 19,693,178
41	EARNED SURPLUS		
42	Unappropriated Earned Surplus (at beginning of period) (216).....	\$ (5,120,271)	\$ (15,729,017)
43	Balance Transferred from Income (433).....	28,792,327	19,693,179
44	Miscellaneous Credits to Surplus (434).....Prior Period Adjustment	0	(183,510)
	Miscellaneous Credits to Surplus(434).....OCI Deficits	3,009,152	19,020,827
45	Miscellaneous Credits to Surplus (434).....Redemption of Preferred Stock	0	0
46	Miscellaneous Debits to Surplus (435).....Rounding	0	0
47			
48	Net Additions of Earned Surplus.....	31,801,479	38,530,496
49	Appropriations of Surplus for Common Stock Rights(436).....	0	0
50	Dividends Declared-Common Stock (438).....	21,238,000	12,238,000
51	Unappropriated Earned Surplus (at end of period) (216).....	\$ 5,443,208	\$ 10,563,479

Annual report of.....BAY STATE GAS COMPANY.....Year ended December 31,2004

COMPARATIVE BALANCE SHEET Assets and Other Debits				
Line No.	Title of Account (a)	Balance Beginning of Year (b)	Balance End of Year (c)	Increase or (Decrease) (d)
1	UTILITY PLANT			
2	Utility Plant (101-107) P.13	1,190,252,064	1,212,056,778	21,804,714
3	OTHER PROPERTY AND INVESTMENTS			
4	Nonutility Property (121) P.19.....	75,096	75,096	0
5	Investment in Associated Companies (123) P.20.....	114,972,087	117,973,478	3,001,391
6	Other Investments (124) P.20.....	32,000	32,000	0
7	Special Funds (125,126,127,128) P.21.....			
8	Total Other Property and Investments.....	115,079,183	118,080,574	3,001,391
9	CURRENT AND ACCRUED ASSETS			
10	Cash (131).....	1,516,754	879,592	(637,162)
11	Special Deposits (132,133,134) P.21.....			
12	Working Funds (135).....	5,730	5,730	0
13	Temporary Cash Investments (136) P.20.....			
14	Notes and Accounts Receivable (141,142,143) P.22.....	58,599,853	72,129,761	13,529,908
15	Receivables from Assoc. Companies (145,146) P.23.....	1,091,765	491,011	(600,754)
16	Materials and Supplies (151-159,163) P.24.....	36,146,787	43,506,405	7,359,618
17	Prepayments (165).....	3,375,037	3,274,122	(100,915)
18	Interest and Dividends Receivable (171).....	42,057	63,350	21,293
19	Rents Receivable (172).....			
20	Accrued Utility Revenues (173).....	34,340,353	47,477,032	13,136,679
21	Def. Fuel Costs (175).....	37,612,293	51,749,005	14,136,712
22	Total Current and Accrued Assets.....	172,730,629	219,576,008	46,845,379
23	DEFERRED DEBITS			
24	Unamortized Debt Discount and Expense (181) P.26.....	7,630,615	6,043,889	(1,586,726)
25	Extraordinary Property Losses (182) P.27.....			
26	Preliminary Survey and Investigation Charges (183).....	0	0	0
27	Clearing Accounts (184).....	1,753	2,735	982
28	Temporary Facilities (185).....	0	0	0
29	Miscellaneous Deferred Debits (186)...P.27.....	37,641,853	44,313,030	6,671,176
30	Total Deferred Debits.....	45,274,221	50,359,653	5,085,432
31	CAPITAL STOCK DISCOUNT AND EXPENSE			
32	Discount on Capital Stock (191) P.28.....			
33	Capital Stock Expense (192) P.28.....			0
34	Total Capital Stock Discount and Expense.....			0
35	REACQUIRED SECURITIES			
36	Reacquired Capital Stock (196).....			
37	Reacquired Bonds (197).....			
38	Total Reacquired Securities.....			
39	Total Assets and Other Debits.....	1,523,336,097	1,600,073,014	76,736,917

Annual report of.....BAY STATE GAS COMPANY.....Year ended December 31, 2004

COMPARATIVE BALANCE SHEET Liabilities and Other Credits				
Line No.	Title of Account (a)	Balance Beginning of Year (b)	Balance End of Year (c)	Increase or (Decrease) (d)
1	PROPRIETARY CAPITAL			
2	CAPITAL STOCK			
3	Common Stock Issued (201) P.29.....	100	100	0
4	Preferred Stock Issued (204) P.29.....			
5	Capital Stock Subscribed (202,205).....			
6	Premium on Capital Stock (207) P.29.....	523,771,866	523,771,866	0
7	Total.....	523,771,966	523,771,966	0
8	SURPLUS			
9	Other Paid-In Capital (208-211) P. 30.....	870,173	871,844	1,671
11	OCI Deficit	(14,290,363)	(12,535,484)	1,754,879
10	Earned Surplus (215,216) P. 12.....	18,863,398	41,703,840	22,840,442
12	Total.....	5,443,208	30,040,200	24,596,992
13	Total Proprietary Capital.....	529,215,174	553,812,166	24,596,992
14	LONG TERM DEBT			
15	Bonds (221) P.31.....			
16	Capital Lease Obligations			
17	Other Long-Term Debt (224) P.31.....	118,500,000	178,500,000	60,000,000
18	Total Long-Term Debt.....	118,500,000	178,500,000	60,000,000
19	CURRENT AND ACCRUED LIABILITIES			
20	Notes Payable (231) P.32.....	0	0	0
21	Accounts Payable (232).....	39,859,899	50,480,160	10,620,261
22	Payables to Associated Companies (233,234) P.32.....	198,272,070	163,084,800	(35,187,270)
23	Customer Deposits (235).....	3,193,497	3,090,784	(102,713)
24	Taxes Accrued (236).....	9,898,598	(6,598,652)	(16,497,250)
25	Interest Accrued (237).....	2,234,646	1,578,479	(656,167)
26	Dividends Declared (238).....			
27	Fuel Purchase Commitments.....	0	0	0
28	Capital Leases (240).....			
29	Tax Collections Payable (241).....	399,035	502,877	103,842
30	Misc. Current and Accrued Liabilities (242) P.33.....	3,920,913	9,528,124	5,607,211
31	Total Current and Accrued Liabilities.....	257,778,658	221,666,573	(36,112,085)
32	DEFERRED CREDITS			
33	Unamortized Premium on Debt (251) P.26.....			
34	Customer Advances for Construction (252)	401,895	11,088	(390,807)
35	Other Deferred Credits (253) P.33.....	10,212,439	11,639,128	1,426,689
36	Total Deferred Credits.....	10,614,334	11,650,215	1,035,881
37	RESERVES			
38	Reserves for Depreciation (254-256) P.13.....	256,651,826	266,210,015	9,558,189
39	Reserves for Amortization (257-259) P.13.....	75,323,063	89,869,431	14,546,368
40	Reserve for Uncollectible Accounts (260).....	6,411,000	7,512,300	1,101,300
41	Operating Reserves (261-265) P.35.....	11,303,230	12,405,930	1,102,700
42	Reserve for Depreciation and Amortization of Nonutility Property (266).....	1,079	1,079	(0)
43	Reserves for Deferred Federal Income Taxes (267,268) P.36.....	257,537,733	258,445,306	907,573
44	Total Reserves.....	607,227,931	634,444,061	27,216,130
45	CONTRIBUTIONS IN AID OF CONSTRUCTION			
46	Contributions in Aid of Construction (271) P. 36.....	0	0	0
47	Total Liabilities and Other Credits.....	1,523,336,097	1,600,073,014	76,736,917

Annual report of.....BAY STATE GAS COMPANY.....Year ended December 31, 2004

STATEMENT OF INCOME FOR THE YEAR			
Line No.	Account (a)	Current Year (b)	Increase or (Decrease) from Preceding Year (c)
1	OPERATING INCOME		
2	Operating Revenues (400) P.37,43.....	\$ 510,457,335	\$ 55,392,957
3	Operating Expenses:		
4	Operation Expense (401) P.42,47.....	413,810,333	57,036,388
5	Maintenance Expense (402) P.42,47.....	9,060,662	462,968
6	Depreciation Expense (403) P.34.....	24,126,707	1,061,942
7	Amortization of Utility Plant (404 and 405).....	15,036,749	(92,522)
8	Amortization of Property Losses (407.1).....		0
9	Amortization of Investment Tax Credit (407.2).....	(373,740)	0
10	Taxes Other Than Income Taxes (408) P.49.....	12,383,915	4,243,437
11	Income Taxes (409) P.49.....	8,573,576	9,687,417
12	Provision for Deferred Fed. Inc. Taxes (410) P.36.....	13,687,493	(657,293)
13	Fed. Inc. Taxes Def. in Prior Yrs.-Cr. (411) P. 36.....	(13,034,822)	(12,974,970)
14	Total Operating Expenses.....	483,270,875	58,767,369
15	Net Operating Revenues.....	27,186,460	(3,374,412)
16	Income from Utility Plant Leased to Others (412)-Net.....	(679)	(175)
17	Other Utility Operating Income (414) P.50.....		
18	Total Utility Operating Income.....	27,185,780	(3,374,588)
19	OTHER INCOME		
20	Income (Loss) from Mdse. Job & Contract Work (415) P. 51-After Taxes.....	410,494	52,823
21	Income from Nonutility Operations (417)-After Taxes.....	852,872	92,434
22	Nonoperating Rental Income (418).....	0	0
23	Interest and Dividend Income (419)-After Taxes.....	26,671	(560,658)
24	Misc Nonoperating Income (421)-After Taxes and Earnings of Subsidiaries.....	3,903,481	(2,029,069)
25	Total Other Income.....	5,193,518	(2,444,470)
26	Total Income.....	32,379,298	(5,819,058)
27	MISCELLANEOUS INCOME DEDUCTIONS		
28	Miscellaneous Amortization (425).....		
29	Other Income Deductions (426).....	5,630	1,112,209
30	Total Income Deductions.....	5,630	1,112,209
31	Income Before Interest Charges.....	32,373,668	(6,931,266)
32	INTEREST CHARGES		
33	Interest on Long-Term Debt (427) P.31.....	4,049,958	(1,794,509)
34	Amortization of Debt Disc. & Expense (428) P.26.....	952,154	414,218
35	Amortization of Prem. on Debt-Credit (429) P.26.....		
36	Int. on Debt to Associated Companies (430) P.31,32.....	6,880,400	1,319,499
37	Other Interest Expense (431).....	(2,304,516)	(873,820)
38	Interest Charged (Credited) to Construction-Credit (432).....	(44,770)	(44,770)
39	Total Interest Charges.....	9,533,226	(979,382)
40	Net Income.....	\$ 22,840,442	\$ (5,951,885)
41	EARNED SURPLUS		
42	Unappropriated Earned Surplus (at beginning of period) (216).....	\$ 5,443,208	\$ 10,563,479
43	Balance Transferred from Income (433).....	22,840,442	(5,951,885)
44	Miscellaneous Credits to Surplus (434).....Prior Period Adjustment	0	0
45	Miscellaneous Credits to Surplus(434).....OCI Deficits	1,756,550	(1,252,602)
46	Miscellaneous Credits to Surplus (434).....Redemption of Preferred Stock	0	0
47	Miscellaneous Debits to Surplus (435).....Rounding	0	0
48	Net Additions of Earned Surplus.....	24,596,991	(7,204,488)
49	Appropriations of Surplus for Common Stock Rights(436).....	0	0
50	Dividends Declared-Common Stock (438).....	0	(21,238,000)
51	Unappropriated Earned Surplus (at end of period) (216).....	\$ 30,040,199	\$ 24,596,991

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE
FIRST SET OF INFORMATION REQUESTS FROM THE D.T.E.
D.T.E. 04-93

Date: January 31, 2005

Witness Responsible: Joseph A. Ferro

DTE 1-3: Please refer to Attachment A of the Company's filing. Recalculate Bay State's ROE for 2003 and 2004 to exclude the \$2,437,286 which the Company is seeking to recover in this filing. Use the same format as in Attachment A to present your results.

RESPONSE: Please see Attachment DTE 1-3 (2003) for the requested recalculation for 2003. This recalculation excludes the \$2,437,286 of the LBR from the adjusted ROE. To be clear, the requested recovery of \$2,437,286 is and was included in the unadjusted or per-book 11.84% ROE for 2003 set forth in Bay State's original filing. Therefore, no further calculation is necessary. Financial information for the twelve months ended December 31, 2004 is not currently available. The requested calculation will be provided as soon as it is available.

**SUPPLEMENTAL
RESPONSE:**

Please see Attachment DTE 1-3 (2004) for the requested recalculation for 2004. Attachment DTE 1-3 (2004) eliminates \$2,169,462 of LBR that the Company requested recovery in DTE 04-57 and was booked in October 2004. Again, the LBR of \$2,437,286 requested in this proceeding, DTE 04-93, has been excluded from the recalculation.

Please note that the recalculation for 2003 also excludes \$1,454,871 of LBR approved for recovery in DTE 03-36 and booked in December 2003. See Column 4 in the Attachment. Also, the LBR of \$2,437,286 requested in this instant proceeding, DTE 04-93, has been excluded from the recalculation.

Bay State Gas Company
Return on Equity
For the Twelve Months Ended December 31, 2003

Ln. No.	Item (1)	Detail (2)	Total (3)	Elimination of LBR @ DTE 03-36 Booked 12/31/2003 (4)	Requested LBR (5)	Weather Adjustment (6)	Adjusted Totals (7)
1	Net Utility Income Available for Common Shareholders						
2	Total Utility Operating Income - Annual Return - Pg. 10, Ln 18		\$ 30,560,368	\$ (1,454,871)	\$ -	\$ (6,786,000)	\$ 22,319,497
3	Plus:						
4	Amortization of Acquisition Premium	\$ 11,126,708					
5	Service Quality Penalties	-					
6	Total	\$ 11,126,708					
7	Other Taxes	\$ (2,000,000)					
8	Income Taxes	\$ 4,338,451		\$ 570,673	\$ -	\$ 2,661,809	
9	Net Additions to Utility Operating Income (Lns. 6 & 7 - Ln. 8)		\$ 4,788,257	\$ 570,673	\$ -	\$ 2,661,809	\$ 8,020,739
10	Less:						
11	Total Interest Charges - Annual Return - Pg. 10, Ln. 39	\$ 10,512,608					
12	Dividends Declared - Preferred Stock	-					
13	Total	\$ 10,512,608					
14	Utility Ratio (See Ln. 35 below)	91.72%					
15	Utility Interest Charges (Ln. 13 * Ln. 14)	\$ 9,642,164					
16	Income taxes on difference (Ln. 13 - Ln. 15) * 39.225%	\$ 341,432					
17	Net Utility Interest Charges (Ln. 15 + Ln. 16)		\$ 9,983,596	\$ -	\$ -	\$ -	\$ 9,983,596
18	Net Utility Income (Ln. 2 + Ln. 9 - Ln. 17)		\$ 25,365,029	\$ (884,198)	\$ -	\$ (4,124,191)	\$ 20,356,640
19	Total Utility Common Equity						
20	Total Proprietary Capital - Annual Return - Pg. 9, Ln. 13						
21	Balance Beginning of Year - Column (b)		\$ 520,651,695				\$ 520,651,695
22	Balance End of Year - Column (c)		\$ 529,215,174				\$ 529,215,174
23	Average (Ln. 21 + Ln 22)/2		\$ 524,933,435				\$ 524,933,435
24	Less:						
25	Average Preferred stock - Annual Return - Pg. 9, Ln. 4		-				-
26	Average Unamortized Acquisition Premium net of deferred income taxes		\$ 291,311,230				\$ 291,311,230
27	Total Average Common Equity (Ln. 23 - Lns. 25 & 26)		\$ 233,622,205				\$ 233,622,205
28	Utility Ratio (See Ln. 35 below)		91.72%				91.72%
29	Total Average Utility Common Equity (Ln. 27 * Ln. 28)		\$ 214,278,286				\$ 214,278,286
30	Return on Equity (Ln. 18/Ln. 29)		11.84%				9.50%
31	Utility Ratio:						
		Total	Less Acquisition Premium	Net			
32	Utility Plant - Annual Return - Pg. 8, Ln. 2	\$ 1,190,252,064	\$ (443,450,716)	\$ 746,801,348			
33	Total Other Property & Investment - Annual Return - Pg 8, Ln. 8	\$ 115,079,183	\$ (47,650,509)	\$ 67,428,674			
34	Total	\$ 1,305,331,247		\$ 814,230,022			
35	Utility Ratio (Ln. 31/ Ln. 33)			91.72%			

Notes:

In compliance with the Department of Telecommunications & Energy's letter dated April 3, 2003.

Bay State Gas Company
Return on Equity
For the Twelve Months Ended December 31, 2004

<u>Ln.</u> <u>No.</u>	<u>Item</u> <u>(1)</u>	<u>Detail</u> <u>(2)</u>	<u>Per</u> <u>Books</u> <u>(3)</u>	<u>Elimination of</u> <u>LBR @ DTE 4-93</u> <u>Booked</u> <u>10/31/2004</u> <u>(4)</u>	<u>Requested</u> <u>LBR</u> <u>(5)</u>	<u>Weather</u> <u>Adjustment</u> <u>(6)</u>	<u>Adjusted</u> <u>Totals</u> <u>(7)</u>
1	Net Utility Income Available for Common Shareholders						
2	Total Utility Operating Income - Annual Return - Pg. 10, Ln 18		\$ 27,185,780	\$ (2,169,462)		\$ (5,149,000)	\$ 19,867,318
3	Plus:						
4	Amortization of Acquisition Premium	\$ 11,027,252					
5	Service Quality Penalties	-					
6	Total	\$ 11,027,252					
7	Other Taxes	\$ -					
8	Income Taxes	\$ 4,325,439		\$ 850,971	\$ -	\$ 2,019,695	
9	Net Additions to Utility Operating Income (Lns. 6 & 7 - Ln. 8)		\$ 6,701,813	\$ 850,971	\$ -	\$ 2,019,695	\$ 9,572,479
10	Less:						
11	Total Interest Charges - Annual Return - Pg. 10, Ln. 39	\$ 9,533,226					
12	Dividends Declared - Preferred Stock	-					
13	Total	\$ 9,533,226					
14	Utility Ratio (See Ln. 35 below)	91.46%					
15	Utility Interest Charges (Ln. 13 * Ln. 14)	\$ 8,719,088					
16	Income taxes on difference (Ln. 13 - Ln. 15) * 39.225%	\$ 319,346					
17	Net Utility Interest Charges (Ln. 15 + Ln. 16)		\$ 9,038,434	\$ -	\$ -	\$ -	\$ 9,038,434
18	Net Utility Income (Ln. 2 + Ln. 9 - Ln. 17)		\$ 24,849,159	\$ (1,318,491)	\$ -	\$ (3,129,305)	\$ 20,401,363
19	Total Utility Common Equity						
20	Total Proprietary Capital - Annual Return - Pg. 9, Ln. 13						
21	Balance Beginning of Year - Column (b)		\$ 529,215,174				\$ 529,215,174
22	Balance End of Year - Column (c)		\$ 553,812,166				\$ 553,812,166
23	Average (Ln. 21 + Ln 22)/2		\$ 541,513,670				\$ 541,513,670
24	Less:						
25	Average Preferred stock - Annual Return - Pg. 9, Ln. 4		-				-
26	Average Unamortized Acquisition Premium net of deferred income taxes		\$ 283,704,766				\$ 283,704,766
27	Total Average Common Equity (Ln. 23 - Lns. 25 & 26)		\$ 257,808,904				\$ 257,808,904
28	Utility Ratio (See Ln. 35 below)		91.46%				91.46%
29	Total Average Utility Common Equity (Ln. 27 * Ln. 28)		\$ 235,792,024				\$ 235,792,024
30	Return on Equity (Ln. 18/Ln. 29)		10.54%				8.65%
31	Utility Ratio:						
		<u>Total</u>	<u>Less</u> <u>Acquisition</u> <u>Premium</u>	<u>Net</u>			
32	Utility Plant - Annual Return - Pg. 8, Ln. 2	\$ 1,212,056,778	\$ (442,163,257)	\$ 769,893,521			
33	Total Other Property & Investment - Annual Return - Pg 8, Ln. 8	\$ 118,070,574	\$ (46,190,274)	\$ 71,880,300			
34	Total	\$ 1,305,331,247		\$ 841,773,821			
35	Utility Ratio (Ln. 31/ Ln. 33)			91.46%			

Notes:

In compliance with the Department of Telecommunications & Energy's letter dated April 3, 2003.